



**Division of Insurance**

May 2, 2014

**FOR IMMEDIATE RELEASE**

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## **Division of Insurance Offers Potential New Options for Geographic Rating Areas for 2015**

**Denver** – At a meeting of the Colorado Healthcare Cost Study Group today, Insurance Commissioner Marguerite Salazar offered new options for geographic rating areas for health insurance for 2015. Geographic rating areas are geographical units made up of metropolitan statistical areas (MSAs), counties or three-digit zip codes, which are used by insurance carriers to price premiums. The options include the current geographic rating plan and two others that would also promote stability and minimize variability in premium costs.

The new options emerged from an actuarial analysis performed for the group by Miller & Newberg Consulting Actuaries.

Earlier this year, Gov. John Hickenlooper asked Commissioner Salazar to convene the Healthcare Cost Study Group to learn more about the cost of healthcare and health insurance across the state.

“Variations in health insurance premiums across regions arise due to variations in the cost of healthcare across regions,” said Commissioner Salazar. “These variations are not new, but the transparency brought by the Affordable Care Act is new.”

In addition to reviewing what drives health costs in each region, Miller & Newberg analyzed five options for the rating areas, including the current breakdown of 11 areas, also known as 7 Metropolitan Statistical Areas (MSAs) + 2 non-MSAs. An MSA is a geographical region with a relatively high population center and close economic ties throughout the area. Of these five options, Miller & Newberg identified three that would minimize uncertainty and promote stability in the cost of health insurance premiums.

- 7MSAs + 4 non-MSAs - The current 11 rating areas. The four non-MSAs are Southeast, Northeast, West and Resort, and incorporate the counties in those regions of the state.
- 7 MSAs + 2 non-MSAs – This would combine the existing four non-MSAs into two, East and West.

- 7 MSAs + 1 non-MSA – This would combine the existing four non-MSAs into a single non-MSA geographic area.

The DOI's suggested option is 7 MSAs + 2 non-MSAs, which would combine the Western Slope regions of West and Resort into one region, and the Eastern Plains regions Southeast and Northeast into another region.

"Combining those four counties into two larger groups spreads the cost risks more broadly," said Commissioner Salazar. "We believe this option would lead to the fairest distribution of costs across these regions." She asked the study group to provide feedback on the three options no later than May 7, to allow insurance carriers to incorporate any changes into their plans and rates for 2015. Carriers must submit their 2015 plans and rates to the DOI later this spring.

The DOI enlisted a diverse group of stakeholders to participate in the Healthcare Cost Study Group, including representatives of hospitals, healthcare providers, consumer groups, insurance carriers and representatives from the mountain communities.

Consumers with questions about insurance can contact the Division of Insurance at **303-894-7490** or **1-800-930-3745** (outside the Denver metro area). The Division has trained experts ready to answer consumers' health insurance questions.

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*The [Colorado Division of Insurance](#) regulates the insurance industry and assists consumers and other stakeholders with insurance issues.*

*[DORA](#) is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado.*

***Consumer protection is our mission.***



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## **Healthcare Cost Study Data & the Proposed Options for Geographic Rating Areas**

### **FAQs**

#### **What is the Healthcare Cost Study Group and what was its purpose?**

The primary aim of the Health Cost Study Group was to better understand the variations in the costs of healthcare and health insurance from region to region. For the study group, the DOI gathered a diverse group of stakeholders including representatives of hospitals, healthcare providers, consumer groups, insurance carriers and representatives from the mountain communities.

#### **What is an MSA?**

A metropolitan statistical area (MSA) is a geographical region with a relatively high population center and close economic ties throughout the area. They are defined by the U.S. Office of Management and Budget.

#### **Why did the DOI have its actuary review five options for geographic rating areas?**

Because the actuary, Miller & Newberg Actuarial Consultants, was reviewing healthcare cost data from Colorado's All Payers Claims Database (APCD), it made sense for the firm to use that data in evaluating various options for geographic rating areas.

#### **Why is the 7 MSAs + 2 non-MSAs the suggested option from the DOI?**

This option would combine the current four non-MSAs - the Western Slope regions of area 10 (West) and area 11 (Resort) and the Eastern Plains regions of area 8 (Southeast) and area 9 (Northeast) - into two non-MSAs - the West, made up of areas 10 and 11, and the East, made up of areas 8 and 9.

Such a change would bring the four regions into larger groups, which will spread the risk more broadly and will be the fairest way to spread costs across these regions.

#### **What will the DOI do with the feedback from the study group?**

The Division has asked the study group to provide feedback no later than Wednesday, May 7. At that time the DOI will review the feedback and make a final determination on what, if any changes, it should seek.

#### **When will DOI make a final determination on the geographic rating areas for 2015?**

After the DOI receives the feedback from the study group, it will make a final determination by May 9, and will start to establish official regulation and prepare its notification to the Centers for Medicaid and Medicare (CMS).

**If a change to the rating areas is made, will it change the date that insurance carriers must submit plans and rates for 2015 to the DOI?**

Yes, if a change to the rating areas is made, the due date for insurance carriers to submit their plans and rates for 2015 will be pushed back from May 15 to June 9.

**If the due date for plans gets pushed back, how will that impact the open enrollment dates for 2015?**

Because a change to the rating areas would necessitate pushing back the due date for carriers to file plans with the DOI, Colorado would then use November 15, 2014, as the start of the open enrollment period for 2015.